

1. What is a “Road” from a Legal Perspective?

”Road” in Road Act

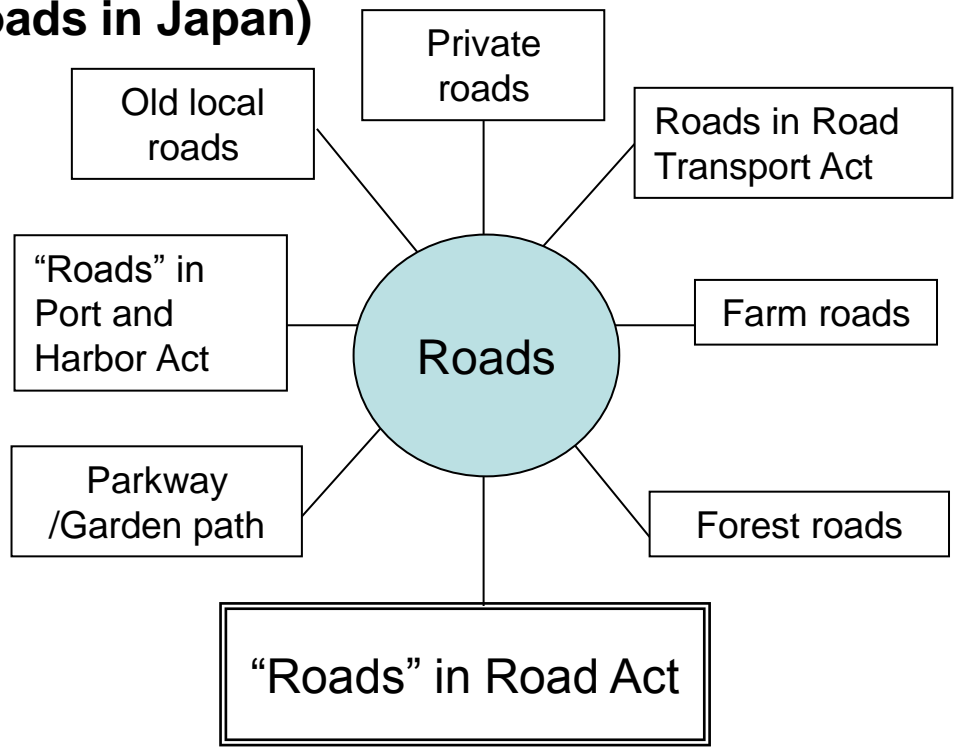
Road Act

Article 2 In this Act, “Road” is defined as a thoroughfare that is open to public use and is classified according to the following types.

Article 3 Road Types

- 1) National Expressways*¹
- 2) National Highways*²
- 3) Prefectural Roads*³
- 4) Municipal Roads*⁴

(Roads in Japan)



National Expressway
(Ichinomiya Interchange on Meishin Expressway)



National Highway
(National Highway No 20)

Definition:

- *1: National Expressways form the strategic traffic network for automobiles across the country and connects the areas of political/economical/cultural importance or with a critical influence on national interest. (Article 4 of the National Expressway Act)
- *2: Together with National Expressways, National Highways form the strategic road network and meet legal requirements (Article 5 of the Road Act)
- *3: Prefectural Roads form the regional arterial road network and meet legal requirements (Article 7 of the Road Act)
- *4: Municipal Roads serve within a municipal jurisdiction. (Article 8 of the Road Act)

2. Burden Sharing of Road Development Projects

Road Type		Road Administrator	Burden Is carried by	Burden Sharing	
				Development/improvement	Maintenance/repair
National Expressway	Toll	Minister*1 [Article 6 of the National Expressway Act]	Expressway Companies (NEXCOs)	Development, improvement and repair are carried out with the loan. The debt and management expense are repaid with toll revenue <small>[Article 3 & 4 of Act on Special Measures concerning Road Construction and Improvement]</small>	
	Under jurisdiction of MLIT		National Gov. Prefectures*2	National Gov: 3/4 Prefectural Gov*2: 1/4 <small>[Article 20 of the National Expressway Act]</small>	National Gov: 10/10 <small>[Article 20 of the National Expressway Act]</small>
National Highway	Under jurisdiction of MLIT	<Development/improvement> Minister*1 <small>[Article 12 of the Road Act]</small> <Maintenance, Repair and other management> Designated section: Minister *1 Other: Prefecture*2 [Section 13 of the Road Act]	National Gov. Prefectures*2	National Gov: 2/3 Prefectural Gov*2: 1/3 <small>[Article 50 of the Road Act]</small>	National Gov: 10/10 <small>[Article 49 of the Road Act]</small>
	Under jurisdiction of Pref.*		National Gov. Prefectures*2	National Gov: 1/2 Prefectural Gov*2: 1/2 <small>[Article 50 of the Road Act]</small>	Maintenance*3: Prefectural Gov*2 <small>[Article 49 of the Road Act]</small> Repair: Can be subsidized up to 1/2 by National Gov <small>[Article 56 of the Road Act]</small>
Prefectural Road		Prefecture*2 <small>[Article 12 and 13 of the Road Act]</small>	Prefectures*2	Can be subsidized up to 1/2 by National Gov <small>[Article 56 of the Road Act]</small>	Maintenance*3: Prefectural Gov*2 <small>[Article 49 of the Road Act]</small> Repair: Can be subsidized 1/2 by National Gov <small>[Article 1 of the Road Repair Act]</small>
Municipal Road		Municipality <small>[Article 16 of the Road Act]</small>	Municipalities	Can be subsidized up to 1/2 by National Gov <small>[Article 56 of the Road Act]</small>	Maintenance*3: Municipalities <small>[Article 49 of the Road Act]</small> Repair: Can be subsidized 1/2 by National Gov <small>[Article 1 of the Road Repair Act]</small>

*1 "Minister" refers to Minister of Land, Infrastructure and Transport

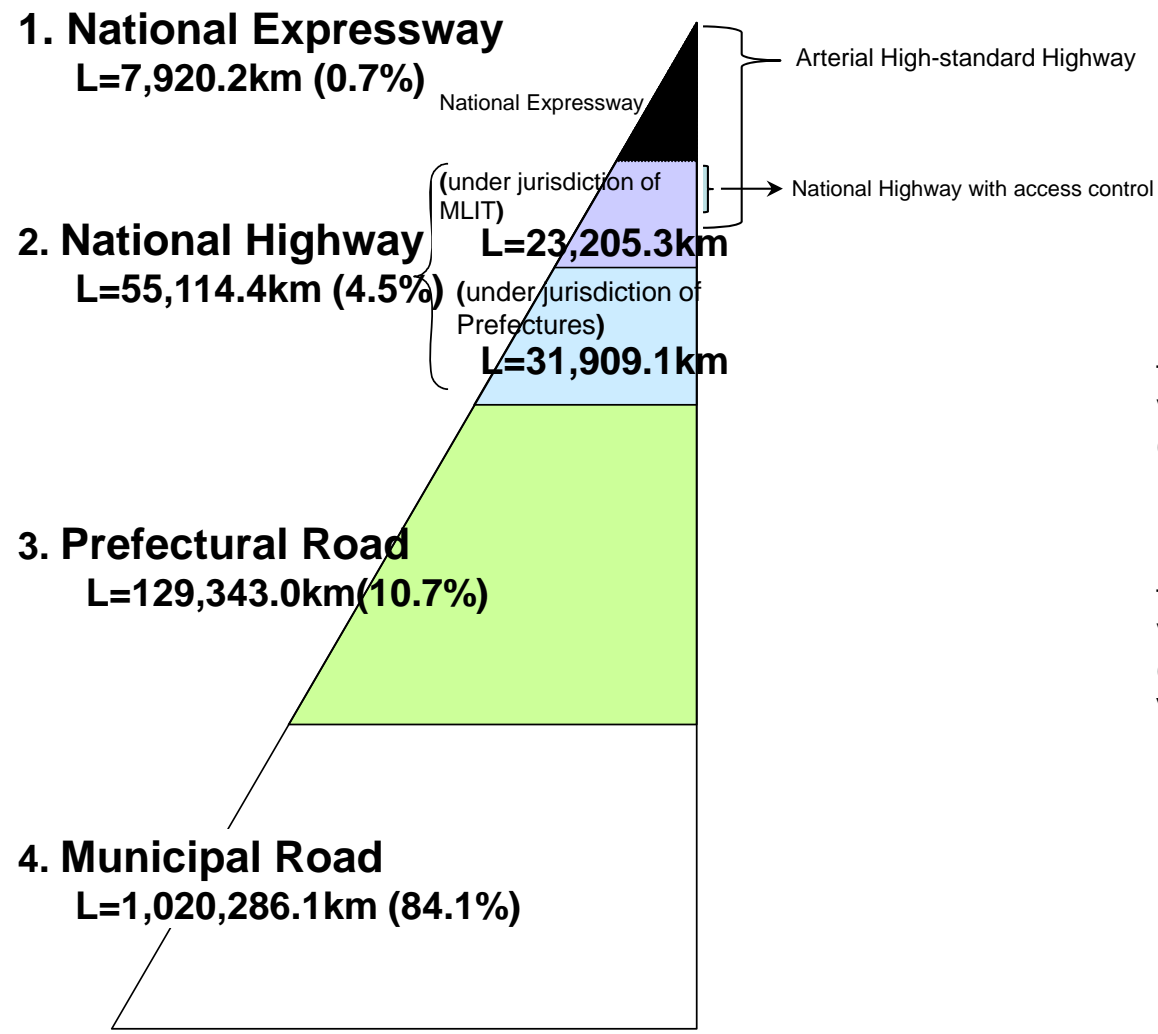
*2 "Prefecture" includes ordinance-designated city

*3 "Maintenance" includes repair

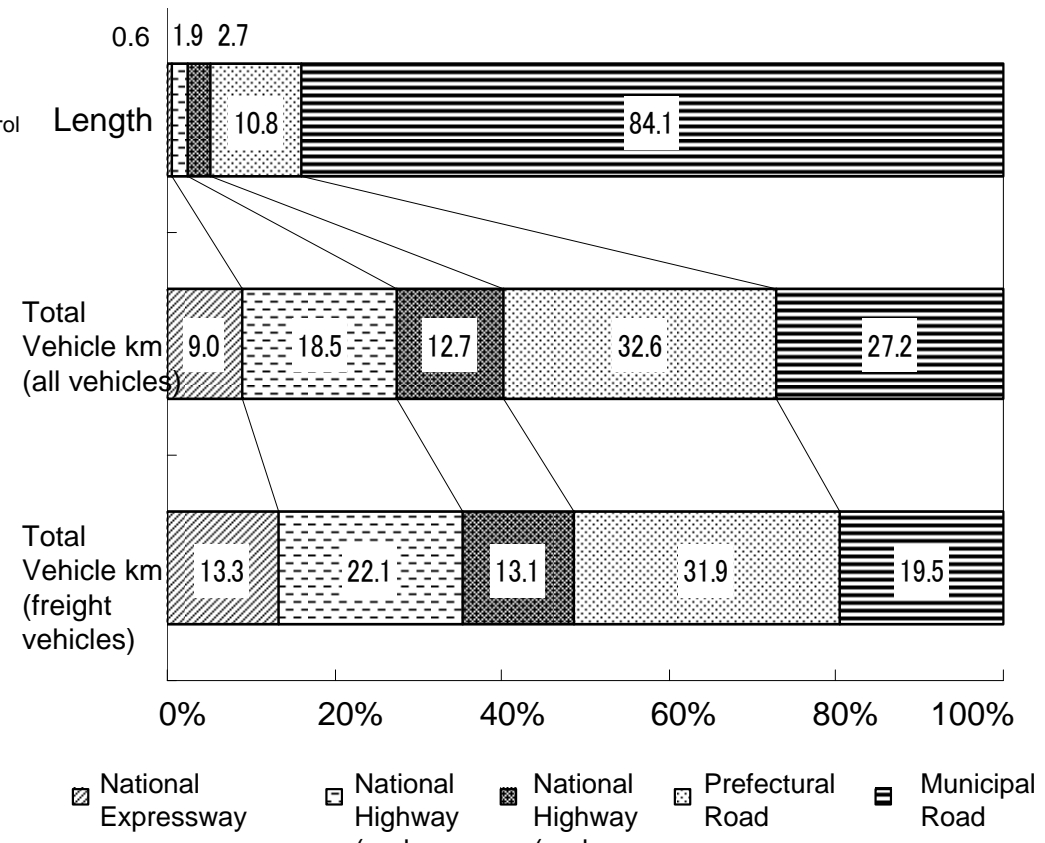
Note: some national highways, prefectural roads and municipal roads are maintained by Expressway Companies or Road Public Corporations.

3. Road Lengths and Travel by Type

【Classification under Article 3 of the Road Act】



【Length and Travel by Road Type】



Note:
 - Data of road length is from "Annual Report of Road Statistics 2008"
 - Data of vehicle km traveled is from "Road Traffic Census 2005" and "Annual Report of Automobile Transport 2005".
 - As of Mar 2009 for National Expressways. As of April 1 2007 for other roads

Total Length =1,212,663.7km**

**includes very narrow roads. Total length of roads with enough width to pass a car coming the other way (i.e. 5.5m wide) is only 340,000km.

4. Classification of Arterial High-standard Highway System

[System]

Arterial High-standard Highway (Total length : about 14,000km)

-Planned as a strategic high-speed surface traffic network in “the Forth Comprehensive national Development Plan”(decided by the Cabinet on June 30 1987 and “Grand Design of Japan for the 21st century” (decided by the Cabinet on Mar 31, 1998).

National Expressway
(Total length : about 11,520km)

National Highway with access control
(Total length : about 2,480km)

[Procedure]

Contemplated route

Legally determined in the National Development Arterial Express Construction Act [11,520 km]

Basic Plan

Decided by the Minister of Land, Infrastructure and Transport after discussion in the National Development Arterial Automobile roads panel [10,623 km]

Development Plan

Decided by the Minister of Land, Infrastructure and Transport after discussion in the National Development Arterial Automobile roads panel [9,428 km]

Section that is under jurisdiction of national government

[834 km]

Difficult to become profitable
Financed by national and local governments
Toll-free

Toll section

[8,594 km]

Distant-base toll system
Throughout the nation
Use a pool system, which integrates more than one road in the redemption calculation.

Decision by Minister of Land, Infrastructure and Transport

Master Plan [about 2,480 km]

Basic Plan

Decided by the Minister of Land, Infrastructure and Transport after discussion in the Panel on Infrastructure Development (Road division) (Mar 2009)

Development Plan

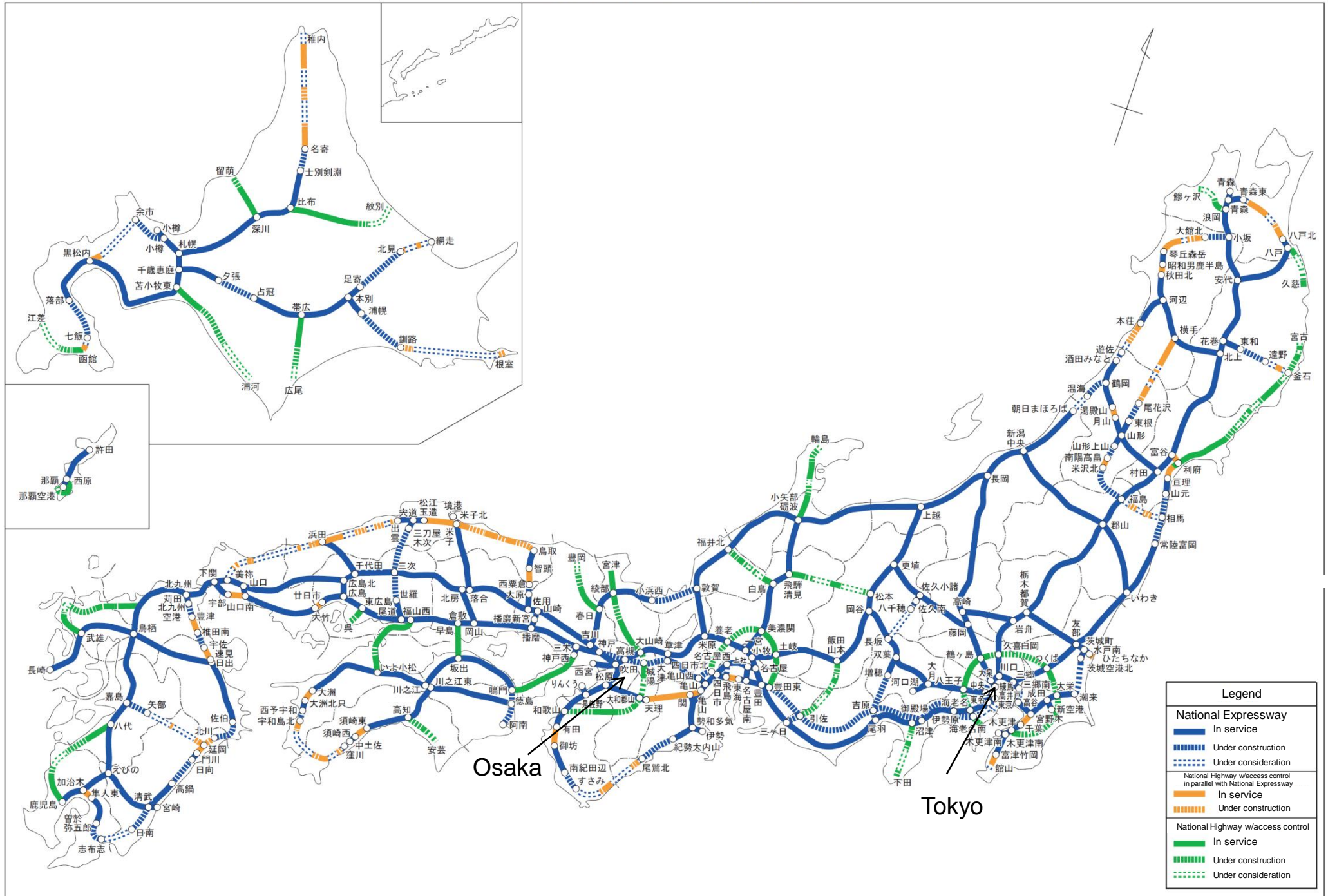
Decided by the Minister of Land, Infrastructure and Transport after discussion in the Panel on Infrastructure Development (Road division) (Mar 2009)

Development mainly as projects under jurisdiction of the national government

Toll rate based on the individual highway profitability
Developed in a mixed way of public work project and toll road project

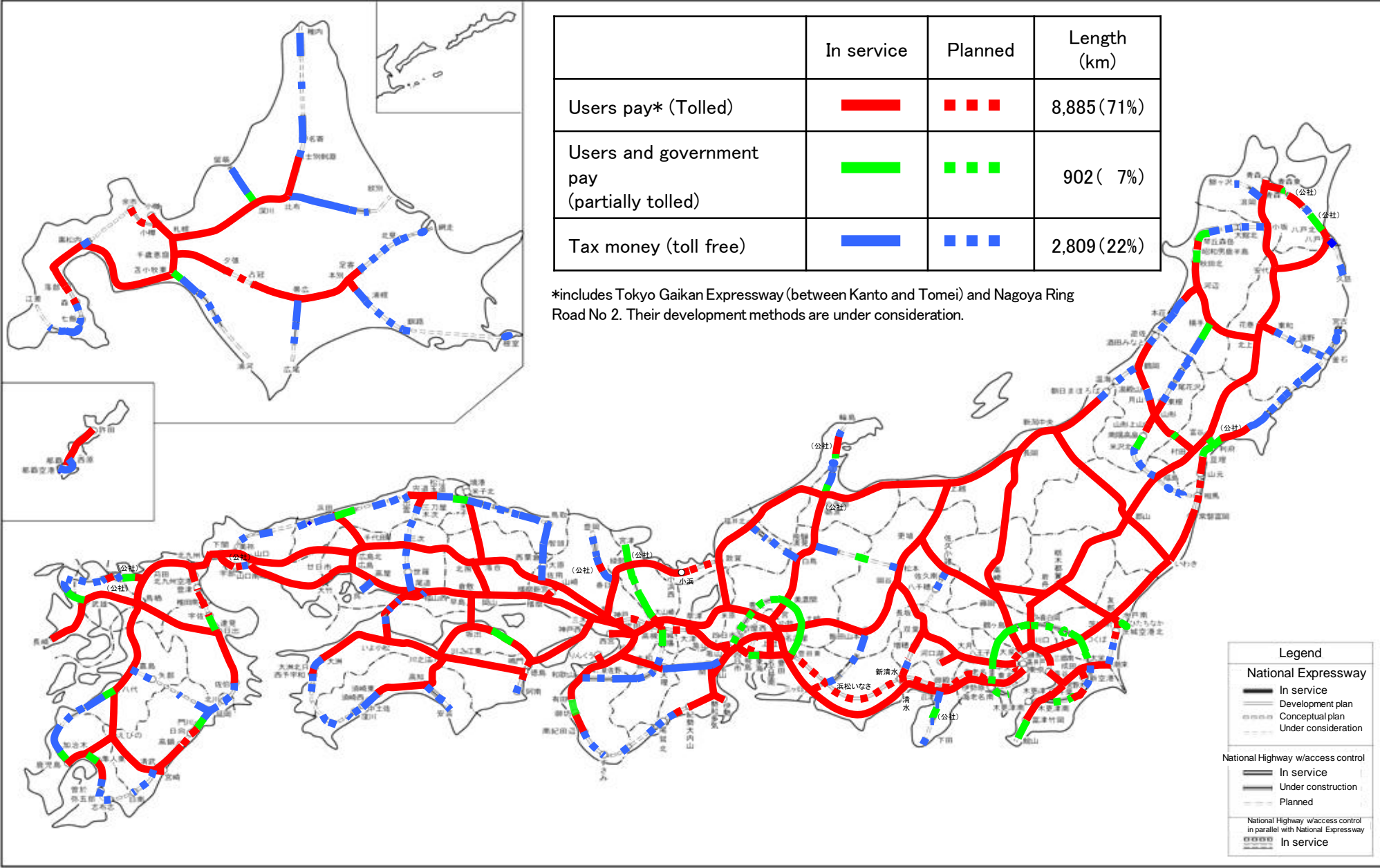
Note: “Toll section” includes merged sections and Tokyo Gaikan Expressway (Kanetsu to Tomei)

5. Arterial High-standard Highway Network



6. Burden-sharing of Arterial High-standard Highway Network

As of Sep 1, 2011



7. Introduction of Toll Road System in Japan

In response to rapidly increasing traffic demand after World War II, immediate road development required additional financial resource to supplement general revenue; namely, the following 2 systems.

1) Earmarking gasoline tax for road development

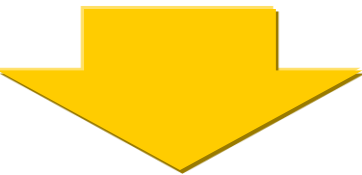
2) Toll Road System



1952 Act on Special Measures concerning Road Construction and Improvement was enacted

→ Toll road system was introduced to the public roads across the country.

(Project proponent: National, prefectural or municipal government as a road administrator)



To expand current toll road system as a measure of immediate development of roads across the country, an organization such as the Japan Highway Public Corporation (JHPC, provisional name) needs to be established so that private funds will be widely introduced and comprehensive and efficient operation will be carried out. (Road Council's recommendation 1955)

1956 Full-fledged revision of the Act on Special Measures concerning Road Construction and Improvement Act on Japan Highway Public Corporation was enacted.

1959 Act on the Metropolitan Expressway Public Corporation was enacted.

1962 Act on the Hanshin Expressway Public Corporation was enacted.

1970 Act on the Honsyu-Shikoku Bridge Authority was enacted.

8. Pool System

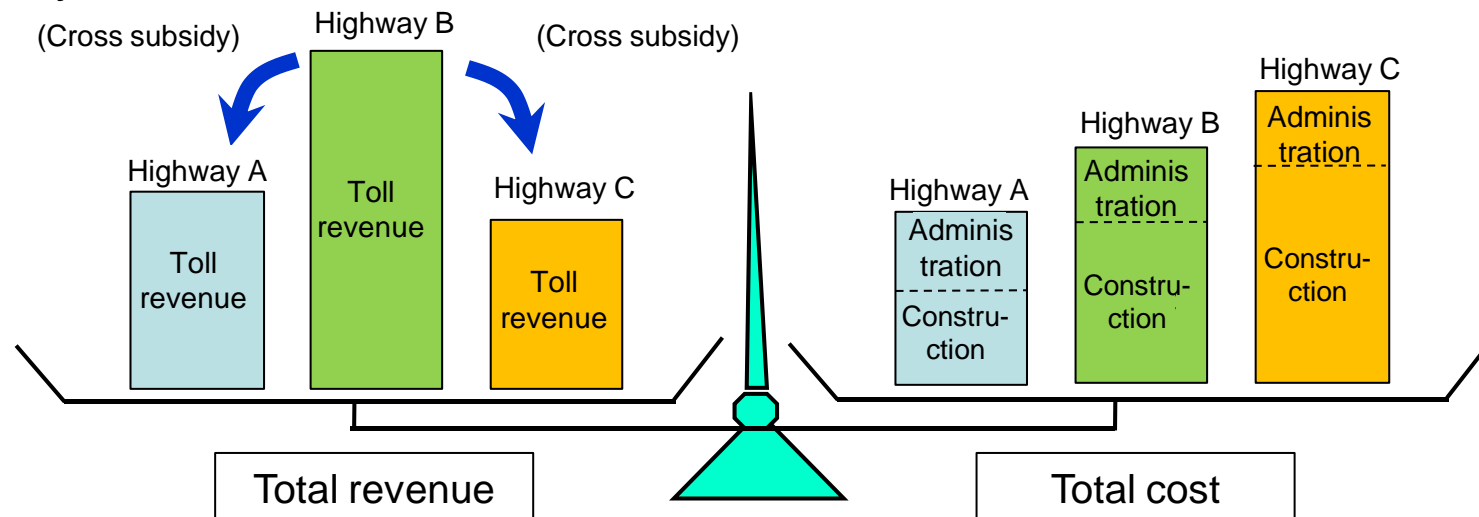
Since the partial opening of Meishin Expressway in 1963, about total of 3,400km of development plan was formulated by Mar 1972 based on individual profitability. About 710km of 8 expressways including Tomei Expressway and Chuou Expressway was developed.



1972 Road Council Recommendation

- 1) Expressways should be an arterial traffic network, connected to each other across the country. Each link is not necessarily considered independent, therefore, the toll rates should remain consistent and integrated.
- 2) Under the circumstance where development costs are affected largely by changing land cost and construction costs depending on the construction period, cost differentiation due to project start timing should be avoided. In addition, debt repayment should be carried out smoothly.
⇒ Shifting from individual profitability system to pool system seems effective.

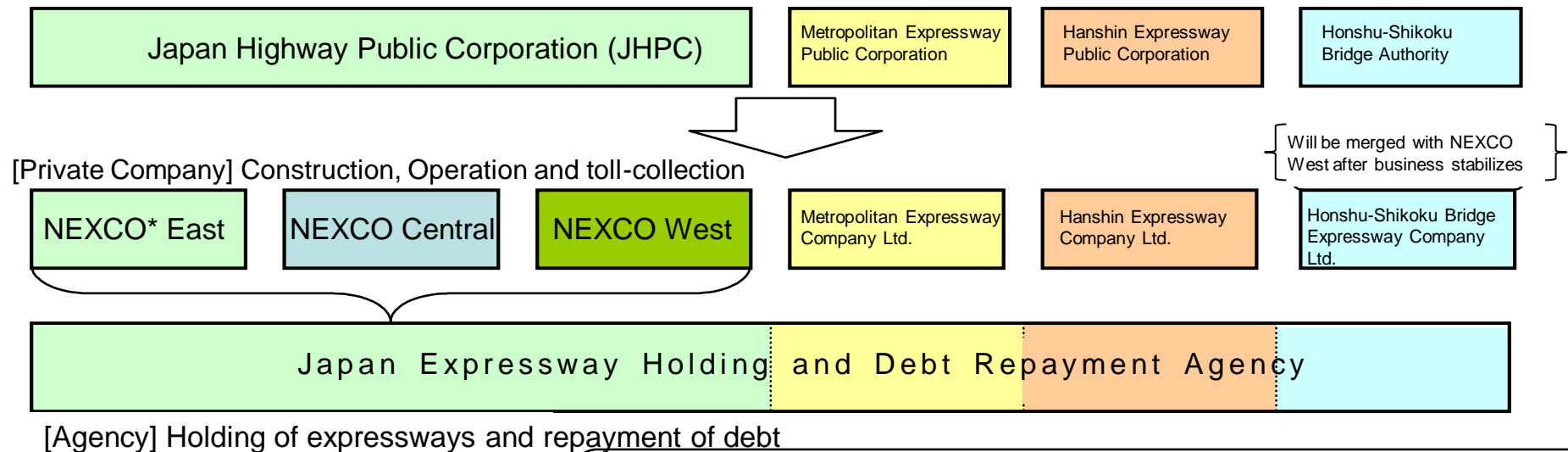
[Pool system]



9. Organizational chart after privatization

Privatization objectives

- Maintain the repayment of 40 trillion JPY
- Construct essential roads promptly with the least national burden, while supporting expressway companies individual initiatives.
- Provide various and flexible toll rate settings and services while taking advantage of being a private company.



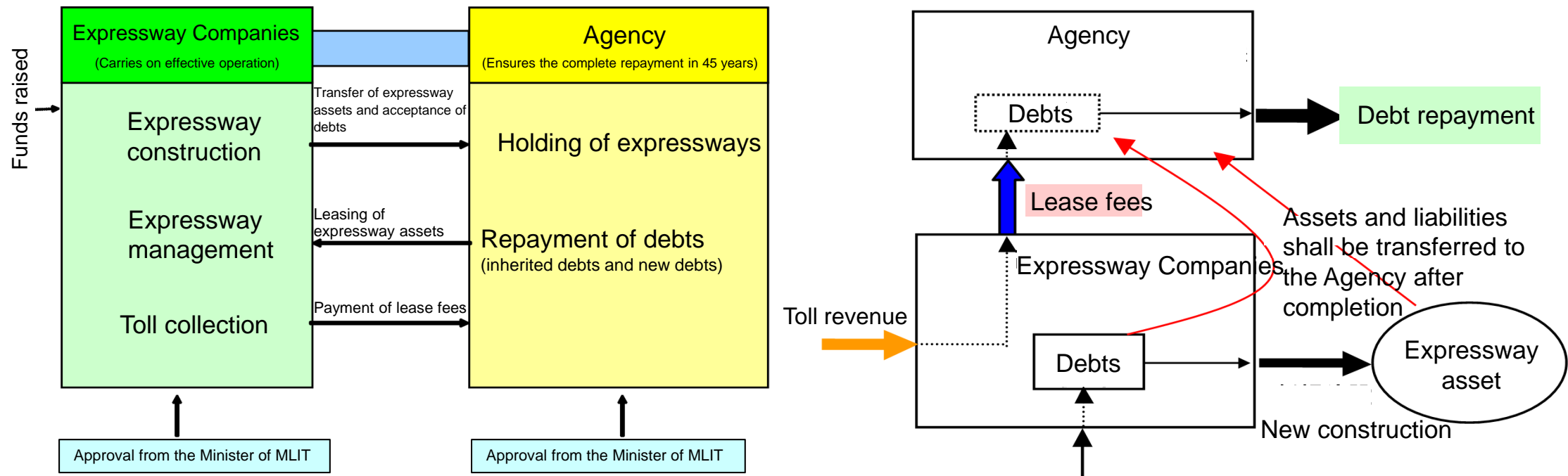
4 Laws Related to Privatization of Former Highway Public Corporations

- Expressway Company Law
- Japan Expressway Holding and Debt Repayment Agency Law
- Law regarding the Development of Highway-related Laws in connection with the Privatization of the Japan Highway Public Corporation
- Act for Enforcement of Acts Related to Privatization of the Japan Highway Public Corporation, etc.

*NEXCO: Nippon Expressway Company

10. Business Scheme

-Expressway Companies are responsible for constructing new roads funded by Agency before transferring expressway assets and debts to the Agency.
 -The Agency is responsible for completing the repayment of debts with the revenue of lease fees in 45 years.



<Responsibilities of the Agency>
 -Holding and Lease of expressway assets
 (property tax is exempted based on the premise of free service in the future)
 -To ensure early repayment of the debts

⇓

Reduced national burden
 To support expressway companies in carrying out smooth business

*borrowed from both national and local governments for construction (and this money is loaned to the companies at no interest)